SUPREME COURT OF THE UNITED STATES.

No. 340.—October Term, 1936.

Etienne Dugas, Petitioner, *vs.* American Surety Company of New York.	Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit.

[March 29, 1937.]

This case presents a controversy over the scope and effect of the decrees of a federal district court in a suit brought by a surety company under the Interpleader Act of May 8, 1926,[1] and over the propriety of subsequent proceedings in the same court upon a supplemental bill brought in aid of and to effectuate that decree.

It will be helpful to state the facts with some detail.

February 12, 1930, the Lumbermen's Reciprocal Association, a Texas insurance corporation, by way of qualifying itself to engage in writing workmen's compensation and other insurance in Louisiana, executed a bond, in the sum of $20,000.00, conditioned for the payment of claims lawfully arising against it by reason of insurance so written. The bond was given conformably to a Louisiana statute,[2] and was executed by the American Surety Company, a New York corporation, as surety. Later in 1930, and after writing a substantial volume of insurance in Louisiana, the Lumbermen's Reciprocal Association became embarrassed and was placed in the hands of a receiver by a court in Texas.

April 14, 1931, in a suit brought in a Louisiana court, Etienne Dugas, who had a claim against the Lumbermen's Reciprocal Association arising out of workmen's compensation insurance written by it in Louisiana, recovered against the American Surety Company, as surety on the qualifying bond, a judgment for the payment of $20.00 per week for not more than 300 weeks commencing May 15, 1930, subject to modification as to future payments if his

[1] Ch. 273, 44 Stat., Pt. 2, 416. Repealed and new act substituted January 20, 1936, c. 13, 49 Stat. 1096, but with saving clause respecting any act done or any right, accruing or accrued, in any suit or proceeding had or commenced under the earlier act prior to its repeal.

[2] Act 172, La. Laws, 1908, p. 232.

disability was relieved or reduced, and for $250.00 for medical bills, together with costs.

The American Surety Company appealed to the Court of Appeal from that judgment, and, for the purpose of suspending execution pending the appeal, it executed a bond conditioned that it should diligently prosecute its appeal and satisfy whatever judgment might be rendered against it if cast in the appeal. The appeal bond was given conformably to a law of the State,[3] was in the sum of $10,000.00 and was executed by the New York Casualty Company as surety. The appeal was perfected and the record duly filed in the Court of Appeal, but nothing further was done therein for reasons which soon will appear.

Many other claims arising out of insurance written in Louisiana by the Lumbermen's Reciprocal Association were asserted under the qualifying bond. In the aggregate these claims were far in excess of the amount of the bond.

June 6, 1931, desiring to avail itself of the provisions of the Interpleader Act of May 8, 1926, the American Surety Company, with the court's leave, paid into the registry of the federal district court at New Orleans, Louisiana, the sum of $20,000.00, being the full amount of the qualifying bond, and thereupon filed in that court a duly verified bill of interpleader in which it set forth the several matters here recited, including the proceedings, judgment and appeal in Dugas' suit on the qualifying bond; stated the names and places of residence of the several claimants under that bond, so far as they were known to it; and further alleged—

"This Court has jurisdiction because this is a bill of interpleader in equity brought by a surety company against bona fide adverse claimants against its bond of February 12, 1930, two or more of whom are citizens of different states, and one or more of said adverse claimants resides or reside within the territorial jurisdiction of this Court."

"Plaintiff disclaims any interest in the amount of its said bond except to pay same to the persons lawfully entitled thereto."

"By reason of the conflicting claims against the said bond, and the fact that claims already known to plaintiff greatly exceed the amount of the said bond, plaintiff is in grave danger of being greatly harassed and damaged, and cannot safely make payments to any claimant without the aid of this Court."

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[3] La. Code Prac., arts. 575, 579.

"Plaintiff, with the permission of this Court first obtained, has paid into the Registry of this Court the said sum of $20,000.00, the amount of said bond, to abide the judgment of this Court."

The bill prayed that Dugas and the other claimants be cited to interplead and settle among themselves their claims to the amount of the bond deposited in the court's registry; that each of them be temporarily and permanently enjoined from instituting or prosecuting in any state court or in any other federal court any suit on account of any right or claim growing out of the qualifying bond; that the plaintiff be released from all further liability on the qualifying bond; and that any other or further relief deemed proper in the premises be granted.

All claimants under the qualifying bond, including Dugas, were called into the suit as defendants.

June 24, 1931, the court after a hearing granted an interlocutory injunction conforming to the prayer in the bill.

Dugas resisted the bill by an exception of no cause of action, a plea of estoppel and an answer. In the plea and answer he specifically relied on the judgment of April 14, 1931, in the state court and the appeal therefrom, together with the appeal bond, as showing that he should not be brought into the interpleader suit.

September 19, 1932, after a full hearing, the court rendered a decree as follows:

1. Declaring the American Surety Company had complied with all of its obligations under the qualifying bond by depositing the full amount of the bond in the court's registry at the time of bringing the suit; and further declaring that company, by reason of such compliance, to be released and discharged from any and all further liability on account of such bond;

2. Enjoining each of the defendants from instituting or prosecuting in any state court, or in any other federal court, any suit against the American Surety Company on account of any right or claim growing out of such bond; and

3. Appointing a special master and charging him with the duty of hearing the claimants and reporting upon the manner in which the fund deposited in the registry, less specified fees and costs, should be distributed among the claimants.

No appeal was taken then or thereafter from that decree; and it remained in full force and effect.

In due course hearings were had and evidence was produced before the special master, after which he submitted a report containing his findings of fact, conclusions of law and recommendations for a distribution of the fund, less fees and costs, among the several claimants upon a pro rata basis. The report also contained a statement showing what he found to be the true and full amount of each claim, the total being in excess of $60,000.00, and a further statement showing the amount which, on a pro rata distribution would be payable on each claim. As to Dugas' claim the master reported the true and full amount as $4,160.68[4] and the pro rata share of the fund payable on the claim as $1,141.29.

Shortly after the special master's report was submitted the several claimants, including Dugas, entered into and filed in the suit a written stipulation declaring that they acquiesced in the report, waived the time allowed for filing exceptions, and requested the court to confirm the report and make it the court's decree.

April 20, 1933, the court, with the special master's report and the stipulation before it, rendered a decree confirming the report and directing that the balance of the fund in the registry be distributed among the several claimants in accordance with the master's recommendations. No appeal was taken from this decree.

The fund was distributed and paid out accordingly and was thereby exhausted. Dugas accepted the pro rata share accorded to him in the master's report and the confirming decree.

March 7, 1934, Dugas brought a suit in the Louisiana court before mentioned against the New York Casualty Company, the surety on the appeal bond given in his earlier suit on the qualifying bond. In this new suit he asserted that the American Surety Company, defendant in the earlier suit and principal in the appeal bond, had not diligently prosecuted its appeal, but, on the contrary, had brought the interpleader suit in the federal court and had obtained therein an injunction which in effect prohibited him from securing a determination of the appeal; and that it had thereby abandoned the appeal and violated the condition of the appeal bond. While the new suit was based on an asserted breach of the appeal

[4] The master found Dugas' disability was materially relieved at the time the hearing began (October 26, 1932) and recommended that his claim be allowed at $20.00 per week for the 127 weeks preceding the hearing, at $8.00 per week for 173 weeks, discounted at 8%, and at $250.00 for medical bills and $97.40 for costs and expert testimony, making a total of $4,160.68.

bond by the principal, it was brought against the surety alone. The relief prayed was a judgment in Dugas' favor for $3,019.39, being the difference between the amount of his workmen's compensation claim as ascertained in the interpleader suit and the sum allowed and paid to him in that suit as his pro rata share of the fund arising from the deposit in court of the full amount of the qualifying bond. By an amended petition the amount for which judgment was prayed was reduced to $2,999.00 to forestall a removal to the federal court.

To the new suit the New York Casualty Company interposed the exception of prematurity, among others. The court sustained that exception, without ruling on the others, and dismissed the suit. Dugas appealed to the Supreme Court of the State, which, on January 7, 1935, reversed the judgment of dismissal and remanded the suit for further proceedings.[5]

January 29, 1935, the American Surety Company, with the leave of the federal court, filed in the interpleader suit a supplemental bill in which it set forth the matters and proceedings occurring after the decree of September 19, 1932, in that suit; alleged that the judgment of April 14, 1931, against the American Surety Company and in favor of Dugas in his earlier suit in the state court was based entirely on the qualifying bond of February 12, 1930, given by the Lumbermen's Reciprocal Association as principal and the American Surety Company as surety; that by the decree of September 19, 1932, in the interpleader suit, to which Dugas was a party, the American Surety Company was declared to have complied with all of its obligations under the qualifying bond and was released and discharged from any and all further liability on account thereof; that by that decree Dugas was enjoined from instituting or prosecuting in any other court any suit against the American Surety Company on account of any right or claim growing out of such bond; that Dugas' suit in the state court against the New York Casualty Company was brought on the appeal bond given by the American Surety Company as principal and the New York Casualty Company as surety on the appeal taken by the American Surety Company from the judgment of April 14, 1931, on the qualifying bond; that if Dugas should collect any sum from the New York Casualty Company in his suit against it as surety on the

[5] Dugas *v.* New York Casualty Co., 181 La. 322.

appeal bond, the American Surety Company, as principal on that bond, would be bound to reimburse such surety; and that in these circumstances Dugas' suit against the New York Casualty Company was essentially an effort to enforce the judgment of April 14, 1931, which was based solely on the qualifying bond, and therefore was an attempt indirectly to subject the American Surety Company to further liability on account of that bond contrary to the decree of September 19, 1932. Accordingly, and in aid of the decrees in the interpleader suit, the supplemental bill contained prayers for an injunction restraining Dugas from further prosecuting his suit against the New York Casualty Company and for general relief.

To the supplemental bill Dugas filed pleas challenging the jurisdiction of the court, its power to enjoin proceedings in the state court, and the sufficiency of the case stated. The pleas were overruled and Dugas answered. Upon the final hearing the court found the facts to be as alleged in the supplemental bill and held that Dugas' suit against the New York Casualty Company as surety on the appeal bond was essentially an effort to enforce against the American Surety Company the judgment which he had obtained against it as surety on the qualifying bond, and therefore was in contravention of the spirit, if not the letter, of the decrees in the interpleader suit; and on that basis the court gave a supplemental decree specifically enjoining Dugas from further prosecuting his suit in the state court against the New York Casualty Company. Dugas appealed and the Circuit Court of Appeals affirmed the decree, one judge dissenting. 82 F. (2d) 943. The case is here on certiorari.

Mr. Justice VAN DEVANTER, after making the foregoing statement, delivered the opinion of the Court.

1. The amount or penalty of the qualifying bond was $20,000.00. The surety's obligation was not to Dugas alone, but to the other claimants as well; and this obligation was not to pay all claims regardless of their aggregate, but to pay $20,000.00, or so much thereof as should be needed, and no more. Because the claims exceeded $20,000.00, the surety paid that sum into the registry of the federal court, there to abide the court's decree, and at the same time brought in that court its interpleader suit against all claimants, including Dugas, to the end that its liability on the bond

might be terminated, and that the rights of the several claimants in the amount of the bond so paid into court might be judicially determined and the fund distributed accordingly.

2. The Interpleader Act of 1926, under which that suit was brought, makes provision for the filing in a federal district court of a bill of interpleader by a surety company which has executed a bond in the sum of $500.00 or more, under which two or more claimants, citizens of different States, assert adverse rights to the penalty; authorizes the payment of the amount of the bond into the registry of the court, there to await such disposal as the court may direct; and further provides in the latter part of § 2 and in § 3:

"Sec. 2. . . . Notwithstanding any provision of the Judicial Code to the contrary, said court shall have power to issue its process for all such claimants and to issue an order of injunction against each of them, enjoining them from instituting or prosecuting any suit or proceeding in any State court or in any other Federal court . . . on such bond . . . until the further order of the court; which process and order of injunction shall be returnable at such time as the said court or a judge thereof shall determine and shall be addressed to and served by the United States marshals for the respective districts wherein said claimants reside or may be found."

"Sec. 3. Said court shall hear and determine the cause and shall discharge the complainant from further liability; and shall make the injunction permanent and enter all such other orders and decrees as may be suitable and proper, and issue all such customary writs as may be necessary or convenient to carry out and enforce the same."

By plea and answer Dugas objected to being brought into the interpleader suit and grounded the objection upon the judgment, appeal and appeal bond in his earlier suit in the state court; but the objection was overruled, and the cause proceeded to the rendition of two related decrees.

In one decree, given September 19, 1932, the complainant surety, by reason of its payment of the amount of the qualifying bond into the court's registry, was discharged from any and all further liability on account of that bond, and the several claimants, including Dugas, were enjoined from instituting or prosecuting against the complainant surety, so discharged, any suit on account of any claim or right growing out of such bond. In the other de-

cree, given April 20, 1933, the court determined the rights of the several claimants, including Dugas, in the fund paid into the registry, and directed its distribution among them on a pro rata basis—this decree being in exact accord with a stipulated request by all claimants, including Dugas.

Taken together, the two decrees not only completely terminated the liability of the complainant surety on the qualifying bond, but also fixed the full measure of Dugas' right or claim under the bond, and in necessary effect determined that the judgment, appeal and appeal bond in his earlier suit in the state court did not put his claim beyond the reach of the interpleader suit, or require that it be dealt with differently from other claims.

Plainly the court had jurisdiction of both the subject matter and the parties. No appeal was taken from either decree. Therefore Dugas was bound by both decrees. Had he exercised his right to appeal he could have obtained a review of the rulings on his objection to being brought into the suit, on the bearing and effect of the prior judgment and proceedings in the state court, and on the right of the complainant surety to be discharged from further liability in respect of his claim. But these rulings were all made in the exercise of the court's jurisdiction, were subject to challenge and reexamination only on appeal, and became conclusive on him in the absence of an appeal.

3. In the interpleader suit there was an actual, complete and judicially sanctioned payment of the qualifying bond by the surety, and it was on this basis that the surety was discharged from all further liability. While the payment was into the court's registry, and not directly to the claimants, it nevertheless was a lawful and effective payment under the Interpleader Act. In effect the first decree converted the claims under the bond into claims against the fund paid into the registry; and the second decree, made after a hearing in which all claimants were heard, directed and brought about a distribution of the fund among them according to their ascertained rights.

As Dugas' judgment in the state court was based solely on the qualifying bond, the payment of the bond and discharge of the surety, as effected in the interpleader suit, operated, under recognized principles of law and equity, to extinguish his right under the judgment. He relied on the judgment in his several pleadings

and the decrees fixed the measure of his claim conformably to the judgment. Even the costs awarded to him by the judgment were included in the computation. Thus it is plain that the interpleader suit and the decrees therein dealt with his claim as it was embodied in and evidenced by the judgment.

4. Whether, in subsequently bringing suit in the state court on the appeal bond, Dugas contravened the fair intendment of the decrees in the interpleader suit is the principal question arising on the supplemental bill. Both courts below answered the question in the affirmative.

The appeal bond was in the nature of a security for the satisfaction of the judgment in Dugas' suit on the qualifying bond; and in attempting to enforce this security he obviously was seeking to realize on the judgment. If his right under the judgment was extinguished he was not entitled to resort to the security; for the relation of one to the other was such that the extinguishment of his right under the judgment terminated his right in the security.[6]

It already has been shown in this opinion that his right under the judgment was extinguished by the proceedings and decrees in the interpleader suit.

With this understanding of the operation and effect of the decrees in that suit, it becomes plain that Dugas' action in bringing suit on the appeal bond and thereby attempting to realize on the prior judgment, notwithstanding the extinguishment of his rights under it, was in contravention of those decrees.

His counsel contends otherwise, and seeks to support the contention by pointing out that the injunction did not directly forbid Dugas from suing on the appeal bond, but only from instituting or prosecuting any suit against the complainant surety on account of a right or claim growing out of the qualifying bond. But the injunction, being only one part of the decrees, is not the exclusive criterion of what was determined and effected by them. Its purpose was to forestall anticipated departures, not to limit other provisions or restrict their operation and effect.

By the other provisions it was adjudged that the complainant surety had complied with all of its obligations under the bond by

[6] Cage's Executors *v.* Cassidy, 23 How. 109, 116; Carpenter *v.* Longan, 16 Wall. 271, 275; Dodge *v.* Freedmans Co., 93 U. S. 379, 382; United States *v.* Choteau, 102 U. S. 603, 610-611. And see Illinois Surety Co. *v.* Peeler, 240 U. S. 214, 225.

paying the amount of the bond into the court's registry; that, by reason of this compliance, it was discharged from any and all further liability on account of the bond; and that the several claimants under the bond, all of whom had been brought in and heard, were entitled to designated portions of the fund so paid into the registry. Under this last provision each claimant was paid his portion, the fund being thereby exhausted. It also was adjudged that the fact that Dugas' claim was embodied in and evidenced by a judgment did not make it other than a claim under the bond or take it without the reach of the interpleader suit. He acquiesced in that and other rulings; and the amount of his claim and his proportionate share of the fund were fixed conformably to the judgment. He acquiesced also in this, and accepted the share so allotted to him. In this way the other provisions in the decrees accomplished, as they were intended to do, the extinguishment of his right under the judgment; and they did this independently of the injunction.

Of the decisions under state interpleader statutes which are cited as if making for a different conclusion, it is enough to say, first, that in none was the statute substantially identical with the federal act of 1926; and, secondly, that in such as involved questions approximately like those presented to the district court in the original suit there were locally appropriate applications for the exercise of appellate authority before the rulings became conclusive, which was not the case here.

Some reliance is placed on the fact that the suit on the appeal bond was against the surety thereon alone. But this does not make for a different result. As Dugas' right under the judgment was extinguished he was no more entitled to realize on the judgment by suing the surety on the appeal bond than by suing the principal. Besides, the surety, if cast in the suit and compelled to pay, would be entitled to reimbursement by the principal. The latter, therefore, may be heard to complain in the circumstances shown here.

5. The jurisdiction to entertain the supplemental bill is free from doubt. Such a bill may be brought in a federal court in aid of and to effectuate its prior decree to the end either that the decree may be carried fully into execution or that it may be given fuller effect, but subject to the qualification that the relief be not

of a different kind or on a different principle.[7] Such a bill is ancillary and dependent, and therefore the jurisdiction follows that of the original suit, regardless of the citizenship of the parties to the bill or the amount in controversy.[8]

6. The power of the court to enjoin Dugas from further prosecuting his suit in the state court on the appeal bond has full support in §§ 2 and 3 of the Interpleader Act of 1926 before quoted, as also in settled adjudications respecting the power of a federal court to protect its jurisdiction and decrees.[9]

Decree affirmed.

The CHIEF Justice and Mr. Justice CARDOZO are of opinion that the decree should be reversed for the reasons stated by Sibley, J., in the court below.

Mr. Justice STONE did not participate in the consideration or decision of this case.

A true copy.

Test:

Clerk, Supreme Court, U. S.

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[7] Story's Equity Pleading, 9th Ed. § 338; Root *v.* Woolworth, 150 U. S. 401, 410-412; Local Loan Co. *v.* Hunt, 292 U. S. 234, 239.

[8] Root *v.* Woolworth, *supra*, p. 413; Local Loan Co. *v.* Hunt, *supra*.

[9] French *v.* Hay, 22 Wall. 250; Root *v.* Woolworth, *supra*, p. 411; Julian *v.* Central Trust Co., 193 U. S. 93, 112; Madisonville Traction Co. *v.* Saint Bernard Mining Co., 196 U. S. 239, 245; Looney *v.* Eastern Texas R. R. Co., 247 U. S. 214, 221; Wells Fargo & Co. *v.* Taylor, 254 U. S. 175, 183.